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TAGS: [PREL](#) [PGOV](#) [ECON](#) [IS](#) [XF](#) [GAZA](#) [DISENGAGEMENT](#) [GOI](#) [INTERNAL](#) [GOI](#) [EXTERNAL](#)

SUBJECT: CODEL FRIST'S MEETING WITH VICE PM SHIMON PERES

REF: A. TEL AVIV 2537

[B](#). TEL AVIV 2540

Classified By: Ambassador Daniel C. Kurtzer for reasons 1.4 (b) and (d)

[1](#)1. (C) SUMMARY: On May 1, CODEL Frist met with Vice PM Shimon Peres where discussions surrounded the Syrian withdrawal from Lebanon, Jordan's economic growth and its contribution to the economy in the Palestinian territories, Iran's push to develop nuclear weapons and recent democratic elections in Iraq. Peres's main focus was on the disengagement plan and "the day after", however, commenting on the Palestinian Authority and the many challenges in the security and economic area that lay ahead for the PA, chief of which is curbing terror. Peres also cited demographic concerns affecting GOI intentions to develop the Galilee and the Negev (reftel). END SUMMARY.

Peres: Middle East Overview

[1](#)2. (C) On May 1, Senator Bill Frist, the senator's National Security Advisor Mark Esper, Press Advisor Nick Smith, and Army Senate Liaison Officer Colonel Michael Barbero met with Vice Prime Minister Shimon Peres. Peres was accompanied by Yoram Dori, Head of the DPM's Policy Team and Interagency Coordination, and Einat Wilf, his Foreign Policy Advisor. The Ambassador and Econoff accompanied CODEL Frist. Peres called the Syrian withdrawal from Lebanon "a major step" in regional stabilization, and a part of America's "strong voice" in the Middle East. Syria's "circumstantial" presence in Lebanon, he said, had grown into an economic dependence, affecting some 20% of the Syrian economy and making it hard for Syria to leave Lebanon. Peres said Syria's future does not look good and that "the dictatorship" of Basher al-Assad is getting weaker.

[1](#)3. (C) Israel's neighbor Jordan, on the other hand, is a positive story in which foreign investment has strengthened the economy. Corporations such as Intel, Sysco, AOL and Motorola have helped the economy grow, allowing the Jordanian government to then invest in various markets in the Palestinian territories, Peres said. Foreign businesses can follow the Jordanian model, Peres said, stressing his view that economic democracy and political democracy must exist simultaneously for a nation to have a stable economy. Jordan's problems with the Palestinians are due to outside influence, Peres said, referring to regional fundamentalist groups.

[1](#)4. (C) Shifting his focus to Egypt, Peres characterized President Hosni Mubarak's leadership as "careful" in its movement. He praised Egypt's existing trade agreements and healthy agriculture, tourism and transportation sectors, but said that Egypt is "weak" in technology. Commenting on another North African nation, Peres said that, despite Libya's having "gone out of the terror and arms business," the greatest change is in the children of the leadership, who are "giving up the desert for modernity." Peres noted that elections in Iraq mark the end of dictatorship there, adding that for the "first time in Arab history an Arab voted for an Arab president." He predicted, however, that the U.S. will have continued difficulty in the area because of terrorism. On Iran, Peres recommended a united economic and political front internationally to thwart Iran's desire to develop nuclear weapons, adding that it will be difficult for the U.S. to do this alone. If Iran becomes a nuclear power, this will create an appetite in other Arab countries to pursue such endeavors -- nuclearization of the Middle East is "irreversible," Peres said, if Iran obtains nuclear weapons.

The PA, Disengagement and the "Day After"

[1](#)5. (C) In response to Senator Frist's question as to whether the PA is ready to act after the disengagement, Peres said that moving from the "glory of terror to husbandry of state" is a big change -- the PA must "cut terror" altogether. If Israel performs this PA responsibility it will create bitterness, Peres said. Peres said that the Palestinians are "impressive and serious" but do not have experience in

governance. Social issues are a problem rooted in high unemployment, he said, and the PA must pay attention to these problems if it is to gain support. Peres said "peace must be privatized" by direct investment in the territories, adding that industrial zones managed by private groups will allow the economy to grow in the territories. "We will be out of Gaza in four months," Peres said, "and expectations are high and solutions are slow." Israel is looking at what needs to be done to facilitate such a move, and must look at the "day after" in order to stage things now.

16. (C) Peres explained that the greatest problem remains the movement of goods in and out of Gaza due to security environment and constant terror threats. Products still take roughly 21 days to go from Gaza to the West Bank, Peres said, adding that he intends to dismantle security impediments in time to help movement within Gaza. Emphasizing that the greenhouses in Gaza can reduce unemployment once they are turned over for Palestinian use, Peres said that the Peres Center for Peace has created a plan for 10,000 more dunams of greenhouses to help the Palestinians further ease unemployment. The GOI intends to compensate settlers with two-thirds of the cost of each greenhouse he or she owns, Peres said, and is seeking financial support to cover the remaining third of the cost. The Dutch have offered to cooperate on this matter by providing USD 20 million through the World Bank, although the World Bank has refused to be a vehicle for the transaction. Peres also mentioned a GOI plan to pay 200,000 Palestinian families each USD 100 per month to help the families as the economy slowly stabilizes.

Economic Development in the Galilee and the Negev

17. (C) Peres indicated that the GOI is focusing on the Galilee and the Negev regions for economic development, although the demographic issue of an Israeli-Arab population that comprises some 20% of the Israeli population needs to be addressed in these areas. Peres said that financial assistance for development in these areas would be helpful. (Note: The GOI previously has raised with the USG officials the idea of the USG being asked to provide assistance to these areas of some 250 million USD each year for four years. This assistance would be used to build roads and relocate military bases to the Negev, as well as to encourage Jewish settlement there. Reftels provide further details of GOI thinking on these plans. End Note)

18. (U) CODEL Frist did not clear on this cable.

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